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## Discussion on tobacco tax breaks postponed Proposed 9% cut in agriculture budget gets higher priority



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FRANKFORT, Ky. — The House Agriculture and Small Business Committee, mirroring the General Assembly's intention to ease the state budget shortfall through spending cuts, yesterday tabled discussion of an income tax exemption for tobacco farmers and discussed a proposed 9 percent cut in the Department of Agriculture's 2003-2004 budget.

Committee Chairman Roger Thomas, D-Smiths Grove, said the direction of yesterday's meeting reflected the tone in the legislature as it deals with an expected \$400 million shortfall.

"What my intention was, by not acting on (tobacco) legislation and inviting the department in, was to place in context the importance of the budget and our commitment to a resolution of this issue, and not getting sidetracked," Thomas said. "We have many ag-related topics to discuss, but I place high importance on doing what needs to be done first."

A short-term casualty of that commitment is House Bill 3, which would exempt from state income taxes any money tobacco farmers receive from a possible tobacco quota buyout. Buyout legislation sponsored by Kentucky Republican Ernie Fletcher was introduced last month in the U.S. House of Representatives.

Discussion and a possible vote on HB 3 was tabled at the start of the meeting by Thomas, who said he decided to wait "until we get a little further down the road." following discussions with other House members.

HB 3 is co-sponsored by 24 members of the House, including 15 from the committee and gubernatorial candidates Jody Richards, D-Bowling Green, and Steve Nunn, R-Glasgow. It follows similar legislation that exempted tobacco farmers from state income taxes on money received from the 1998 Master Settlement Agreement and the Secondary Settlement Fund (Phase II).

"It's desperately needed by tobacco farmers all throughout the state and I think it's important to most, if not all, House members," Thomas said.

Committee co-chairman Thomas McKee, D-Cynthiana, said he expects the bill to sail through the House once it comes up, trusting precedents set by past tobacco-settlement legislation.

"I think it will be successful and I don't think that it will be a big issue," McKee said.

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What is turning into a big issue for the Department of Agriculture is a 9 percent budget cut requested by the Office of State Budget. Agriculture officials, including department chief of staff Harvey Mitchell, told the committee that \$1.8 million would have to be cut from the department's budget.

The department has cut \$1.6 million on the budget over the past two years, Mitchell said, and faces cutting essential programs to meet the budget office's needs.

"When we go to 9 percent we're cutting into what we think are central services," Mitchell said. "Everybody can find ways to cut and if we have to cut, this is what we'll cut."

Mitchell said the cuts would include the elimination of five positions, including three fuel-pump inspectors, and calfhood vaccination and dead animal removal programs.

Committee member Don Pasley, D-Winchester, said he was concerned about the overall health risks that Kentuckians would face if the dead animal removal program were eliminated. The program, which provides assistance to county animal removal programs on a 50-50 basis, is implemented in 52 counties.

"I think it would be prudent for members of this committee to communicate with other members of the House that this is a total health issue," Pasley said.

Programs facing cuts would include a conservation easement program known as PACE (\$200,000), anti-teen smoking (\$29,100), and animal diagnostic laboratories (\$76,400).

The animal diagnostic lab cuts could affect Kentucky's thoroughbred industry. Mitchell presented committee members with a letter from Dr. Lenn Harrison, director of the University of Kentucky's Livestock Disease Diagnostic Center. He wrote that the 2001 outbreak of Mare Reproductive Loss Syndrome and the West Nile virus scare have taxed the center's resources; additional cuts could result in farmers being charged for basic services or the elimination of those services, he wrote.

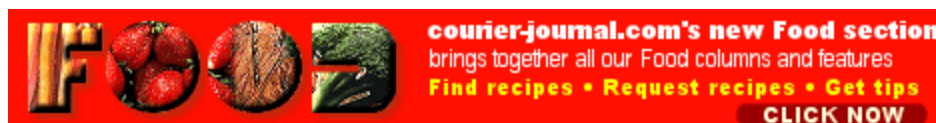
"MRLS has not been solved; pressure to provide diagnostic services that help in the investigations of this devastating disease problem remains high," Harrison continued. "Program maintenance such as replacing old equipment has already been curtailed."

While Mitchell received a cordial reception from the committee, Thomas warned that the state's budget problems preclude any assumption that the committee will be able to protect the department.

"When someone comes to us and says there's no wiggle room left, I believe they're sincere," he said. "But that doesn't mean we shouldn't examine all the programs that are funded with state money."

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